

Financial instruments in the mirror of energy efficiency among Zala County SMEs

AUTHOR

Károly Szabó

Head of Cabinet, Mayor's Office of Zalaegerszeg

szabokaroly@ph.zalaegerszeg.hu

DOI: [10.29180/9786156342218_15](https://doi.org/10.29180/9786156342218_15)

ABSTRACT

In the recent years sustainability and energy efficiency became more and more important in the life of the companies. As the environmentally friendly thinking spreads worldwide, and more conscious customers appear on the market, companies cannot leave out these factors (EE and sustainability) from their everyday operation. As this trend is likely to continue in the near future, in the current analysis we will try to figure out how manageable are these changes at the SMEs of Zala County. We will study the feasibility of the EE thinking in companies' life from financial side, as it is the usual barrier to introduce a new strategic approach. Regarding this, within the analysis we want to get the answer for the question, how many financial instruments are available for this purpose and how effective are these programs in the county. Within the main topic of "Sustainability in SMEs", we will also identify the potential need of new microfinance products which can be used for the implementation of the EE approach. To achieve these research results, we use qualitative methods. Through semi-structured qualitative interviews with financial experts, we can get an overall picture about the financial situation of the local SME sector and the needs of the EE friendly new products.

Key words: microfinance, microcredit, SME, strategy, sustainability, energy efficiency

1. Introduction

As the environmentally friendly thinking spreads worldwide, more and more companies have to change their everyday business approach. From economic side the only problem with this new type of demand is its cost. To change our strategic planning and being environmentally friendly is not for free, we have to calculate with its cost. According to this, in the current paper we will study that how manageable is this change for the local SMEs in Zala County and how can the microcredit as a financial tool help in this situation? My preliminary assumption is that local SMEs are open-minded to change their everyday life and they would turn into the environmentally friendly operation but there is lack of financial tools to manage this. The other part of my hypothesis is that microcredit would be ideal solution to fill this gap in the county.

On the basis of these preliminary assumptions, my research questions and hypotheses are the followings:

- Q1: How are the financial instruments for the purpose of new strategic approach in EE thinking available in Zala County for SMEs and how can they solve this problem?
- H1: Despite that there were governmental attempts, there is a lack of the “green” programs on the market in Zala County so local SMEs used to solve the problem from own sources which causes that only those companies can introduce the EE thinking in the everyday operation who have major financial profit.
- Q2: How can a new type of microcredit product give a solution for the problem of the introduction of EE thinking in the everyday operation of local SMEs in Zala County?
- H2: With the help of a new microcredit product classic SMEs (with lower profit) in Zala County would be also interested in the introduction of the EE thinking in their everyday operation and they would start their projects in this field.

To analyse this problem, the study will make an overall systematic literature review at first in the field of the available energy efficiency aimed products in Zala County. In the second part of the literature review, paper will present the essence of microfinance and previous research results in the county. After the literature review the presentation of qualitative research results follows, finally the paper ends with related recommendations and conclusion.

2. In the name of EE thinking

It's important to clarify what we mean by environmentally support programs. The current paper within this, not just mean the dissemination of EE thinking among Zala County SMEs but the support programs for concrete investments (e.g. purchase of solar panels, wind turbine, insulation etc.). Renewable energy sources are energy sources that do not come from the so-called fossil fuels, but are generated by exploiting energy sources from the sun or the moon. These can include, but are not limited to, solar, wind, geothermal, hydropower and biomass. The programs which foster to cover our energy demand in our company with the renewable energy are the subject of the analysis. (Banász et al., 2018)

From the past decades, it's hard to identify classic EE support programs in the county. There are only a few best practices in this field and those are neither for SMEs. The only notable program was also available exclusively to the local population. Among these programs, the most popular was the so-called “Warm of House” program. The program supported the realization of cost-effective investments to build energy efficiency, condominiums, housing societies and the reduction of carbon dioxide emissions as well as the use of renewable energy sources by providing state budget resources. In order to get the support and to execute the financing quickly, building society used to apply for bank financing. Under the concrete program condominiums with a maximum of 50% support could reach the replacement of outdated heating, hot water and power supply systems and the provision of low-quality heat insulation. Despite the high aid intensity, the targeted user circle had low self-savings, so a solution was made to reduce these burdens which were the house-savings. This type of saving did not mean as dual financing and helped to efficiently finance the transaction. As this program ended in 2015, there was a strong lack of EE support programs for a time – especially for SMEs. (Kókai & Tóth, 2017) (Banga, 2016.)

In 2017, finally a SME related program started in the topic which name was GINOP-8.4.1/B-16 **Sme Energy Loan**. The loan ran with similar characteristics as its twin brother, the 0% Competitiveness SME loan. These programs are similar in that they have no interest rate which makes them sought but their maximum reachable loan amount is 1.000.000.000 HUF which is much more than the classic microcredit limits. It caused that most of the participant companies were medium or bigger enterprises, small enterprises with strong capital and the classic target group (non-bankable SMEs) was pressed out from the program. The two programs ended with an absolute success because the source was allocated. The only problem is that the gap wasn't filled. The classic SMEs have a lack of resources for years. At this point Zala County Government made a survey in Zala County among the local SMEs, in the topic that would they apply for a new type of microcredit in the field of EE support (eg. purchase of solar panels, wind turbine, insulation etc.). The result was that from the 222 questioned respondents 99.1% answered a new microfinance construction would be needed for the support of EE solutions. In addition, the 92,4% would apply for this new construction. On the ground of this results we can confirm, there is a huge demand for a classic type of EE microcredit in the Hungarian SME sector. The further part of the analysis showed out that against its neglect still the MVA network is the most popular intermediary on the market. (Szabó et al., 2018, pp. 7.-9.)

All in all, within the previous EE support programs, the following characteristics are visible:

- For a long time only just a few EE support programs were available and these were only for general public
- In 2017, finally a SME related EE support program started but its main target group was not the non-bankable SMEs but the companies with strong own capital
- There is a strong demand on the market for a classic SME related EE support program and most of the SMEs would apply for it

On the ground of these characteristics, the only question is that what kind of microcredit program should be issued or what is microcredit at all and how can it help to fill in this gap?

3. Microfinance principles

The original aim of microfinance is the possible assistance for the layer of the population - primarily the poor and the women - who do not have the opportunity to turn to a formal financial sector. In the framework of the approach, these groups should be granted by establishment of microfinance institutions. (Handa, 2012) (Yunus, 1999) This helpful intent led to that a lending system could be formed which allowed the provision of capital, professional and financial assistance to non-bankable poor who can't funded by conventional banks. (Szabó, 2006) If we want to take a closer picture about microcredit then we need to know the definition issued d by Grameen Bank (one of the first microfinance institutes). In their definition; microcredit (Grameencredit) is based on the assumption that the poor have skills that are untapped or underutilized. It's not necessarily the lack of skills that makes poor people poor. Grameen believes that poverty was not created by the poor, but by the institutions and policies around them. To eradicate poverty, all we need to do is make appropriate changes in institutions and policies and / or create new ones. Furthermore, according to Grameen, love is not the answer to poverty. It only promotes the continuation of poverty. This creates addiction and

takes away the initiative of the individual to break through the wall of poverty. Unleashing energy and creativity is the answer to poverty for all people. (Grameen Bank, 2018)

Before the 1970s, we couldn't really talk about microcredit as a stand-alone concept, even though there were initiatives as early as the 1700s. There is perhaps still no generally accepted definition of microfinance. The European Commission decided that the EU considers loans under € 25,000 to be microcredit. According to EU terminology, it targets people who are excluded from the banking system and tries to provide them with a satisfactory service for their daily well-being through small disbursements. In addition, it is commonly defined as a means of combating poverty.

From its historical development, in the 1970s Professor Yunus was the first to truly realize that, within a given institutional framework, the poorer people had no chance of breaking out from deep poverty. Accordingly, Professor Yunus coined the terminology of modern microcredit to target people who could do business successfully because of their abilities, i.e., they are creditworthy but do not have any capital to get started, ergo are not bankable. These ideological frontiers also roughly summarize the essence of microfinance. It includes the good faith, which means that - in addition to extracting our salaries and the resources needed for our organization to operate through lending- we work primarily for the people, we try to help them. It includes the social impact which means that we are trying to create a credit product which helps people into employment, we are trying to reintegrate them into the labor market through the product. It includes the economic impact which means by reducing unemployment, people can become self-employed, which not only reduces the burden of social contributions on the part of the state, but also creates solvent demand in the market, not to mention that surviving businesses actively contribute to production indicators of the economy and economic growth. We can rightly say that this is an absolute win-win situation. (Szekfü, T, 2014, p. 5.) The basic essence of microcredit is still the same, but through the past decades microfinance formed a lot. Nowadays, it is used for several purposes like encouraging of self-employment, dissemination of business knowledge and we can also find examples for the use of energy efficiency. (Szegedi et al., 2016.)

4. Microfinance in Hungary

If we are talking about microfinancing in Hungary then we have to mention the domestic stakeholders at first. Among these players without a doubt the most influential is the Business Enterprise Promotion Network (MVA) on national level. The network was established in the 90'-s in the framework of the Phare programs. After its foundation the members of the network immediately become the most important financial intermediaries in the field of Hungarian microfinance. (There are still a few private financial intermediaries in the market but they have only a marginal role.) The network works in a structure that contains a business promotion centre (MVA is the name of network and also the strategic managing organization) located in Budapest, and every Hungarian county have its own business promotion foundation which is absolutely independent from the centre, both from financial and strategic side. In Zala County, this organization is the Zala County Foundation for Enterprise Promotion (ZMVA). Like the network, ZMVA was also established in the early 1990s to promote the enterprises, to mediate the entrepreneurial culture, and to provide information and opportunities for SMEs in Zala County. The operation rights are owned by the Zala County Government and objectives

set out at the time of establishment have not changed in recent years; to promote the economic development of Zala County, to support the establishment, survival and growth of micro, small and medium-sized enterprises as we previously mentioned. In the framework of ZMVA's long term operation the most important tools were the projects and the combined and classic microcredit to achieve these objectives.

Within the concrete programs, mainly from 2007 to 2013 ran many microcredit-centric tools on a high level in Hungary. In the SME-related programs, the so called Combined Microcredit was the most popular which ran in the framework of the New Széchenyi Plan (in short, ÚSZT). The main logic of this financial tool was the following; entrepreneurs could take a loan up to 10 million HUF, of which 10% was self-contribution, 45% was the loan itself and 45% was the state support. In reality, this meant that in the case of a 10 million transaction, the state provided HUF 4.5 million as a non-refundable subsidy with HUF 1 million of own funds, and the remaining HUF 4.5 million was the loan itself with a fixed interest rate (max. 9% per annum, from 2012 - max. 6.5% per annum). The interest rate maximum was obligatory for every financial intermediary involved in the program, they could determine only within the given interest rate ceiling their own interest rate (if the maximum was 6.5%, an intermediary could decide to provide microcredit on 5% interest rate but not more than 6.5%). The combined microcredit also contained social obligations in which the customer had to employ at least one employee and the wage and salary paid to him had to reach half of the non-refundable amount until the end of the follow-up period (3 years). **This example clearly shows how to use a business model on a social field.** All in all, we can rightly say that this was the previous period's success story and an absolute best practice in alternative financial methods. The program helped a wide range of SMEs to expand, survive, start, and resume their business. (Armendáriz & Murdoch, 2007)

Besides the combined microcredit, the classic ÚSZT Microcredit (with no 45% state aid) was also available in this era. This program was as sought as its combined "brother". The secret was that the programs could be applied in the same time, in parallel, so many entrepreneurs choose that they use both financial tools. It's important to highlight that the classic microcredit was also sought during that time when the combined one's financial framework has been exhausted, so it wasn't just popular for being the twin-brother of a high support intensity program but also on its own right. Because the financial framework of combined ÚSZT exhausted quite early, the 2007-2013 period included another era in which the classic microcredit was the basic program and was the most stable microfinance product. (In this period ran two types of microcredit, ÚSZT and OMA. The basic difference between them was that OMA could be applied from a central recourse while ÚSZT was allocated locally to the ZMVA.)

The classic microcredit with no 45% state aid had various advantages. In the previous period high aid products were a kind of pleasant catalyst for the economy but if we were to base our support system on combined tools for these four years, it could easily lead to that **Hungarian SMEs wouldn't be interested in the repayment and in the success of their own projects.** In a classic microcredit transaction, the interest rate gives back the responsibility to the SMEs' hand to make their project a success. If there is an interest rate on the loan – with no state aid, SMEs are much more interested in the repayment and successful operation of their business. The other advantage was the constancy at the classic microfinance programs. As the system maintenance was given through the interest rates, the resource was constantly refilled, so the program didn't have to end by depletion of the allocation.

In summary, the following advantages made different the classic microfinance programs:

- The classic programs give back the responsibility to the SMEs, they are much more interested in the repayment and also in the successful operation of the project
- The classic instruments are available at a constant time, doesn't need to be ended when the allocation is empty (the resource is refilled by the SME repayment)

If we are planning to introduce a new type of microcredit, both of the advantages are extremely important. This advantages clearly show that classic program can be operated in a sustainable form, continuingly and in a responsible way with many successes. If we want to see some concrete examples about these programs, we have to study the basic characteristics from the previous programs – see the table above.

The classic programs ran with the following requirements;

Table 1. Classic microcredit opportunities at ZMVA

Name	National Microcredit Fund		New Széchenyi Microcredit Program
Applicants	<ul style="list-style-type: none"> ▪ Max. 10 employee ▪ Turnover less than 200 million HUF (cca. 550 000 EUR) 	<ul style="list-style-type: none"> ▪ Max. 10 employee ▪ Turnover less than 200 million HUF (cca. 550 000 EUR) 	<ul style="list-style-type: none"> ▪ Max. 10 employee ▪ Turnover less than 2 million EUR
Use	<ul style="list-style-type: none"> ▪ Investment Or ▪ Investment + max. 50% Current asset 	<ul style="list-style-type: none"> ▪ Current asset 	<ul style="list-style-type: none"> ▪ Investment Or ▪ Investment + max. 30% Current asset
Credit amount	min. 500.000 HUF max. 10.000.000 HUF	min. 500.000 HUF max. 10.000.000 HUF	min. 500.000 HUF max. 10.000.000 HUF
Own source	0,00%	0,00%	10%
Maximum loan term	10 years	3 years	10 years
Required collateral average (loan amount 100%)	110-250%	110-250%	110-250%
Interest rate	fixed 3,9 %	fixed 3,9%	3,9% - 6,5%

[Source: own editing]

Sadly, the program was ended in 2013 and didn't continue in the 2014-2020 period. Among others, ÚSZT Combined Microcredit and the "classic" ÚSZT Microcredit (with no 45% state aid) have not been resumed, the 0% Competitiveness and 2.5% Growth Loans was introduced to fill their place. The result in this case is also a success story, as the total amount of funds has been evacuated within a very short time. So all in all, we can determine that these programs had the same problems as the 0% Energy Efficiency SME loan. The allocated resource was evacuated quite quickly, the classic SMEs were forced out from the program, the most successful applicants were medium or bigger sized companies with strong own capital.

At this point became clearly visible that the microcredit programs can give a sustainable, constant way of financing and fostering the EE solutions. As we already mentioned there is an existing gap in the

field of SME related EE support instruments, so we can rightly say that the demand is given. As we went through the existing analysing studies in the topic and literature background, we can also state that there is a lack of EE support programs again on the market as the 0% SME loan ended. On the basis of the literature review that also seems clearly visible, a new microfinance instrument can give a sure solution for the priority in Zala County. At the end of the review, we could partly accept H1 hypothesis but we will only accept after the semi-structured interviews.

5. Methodology

As the quantitative research was delivered in the previous local studies, the main task was that to collect all the additional information which can complete or change the results of the literature review. The last studies were implemented 3 years ago in the county so the task was not just that to complete the existing literature but also to analyse the potential changes of the last three year. On the basis of the tasks, I chose semi structured interviews since with this approach, instead of quantitative questions, I got answers to the user insights and the need of potential new products. (Babbie, 2008)

(Horváth & Mitev, 2015)

The main topics of the semi structured interview were the followings:

- How many energy efficiency supports were available in the past in Zala County? (EE programs: concrete purchase of EE solutions like wind generator, solar cell system, geothermal tools etc.)
- How many energy efficiency supports are currently in the past in Zala County? (EE programs: concrete purchase of EE solutions like wind generator, solar cell system, geothermal tools etc.)
- How can those companies give an answer for the customer demand of EE friendly operation who have no access to EE supports (because of the lack of EE support programs or simply they don't receive support)?
- Would it be easier to give an answer for the customer demand of EE friendly operation with a help a of a new microfinance program? Is it needed to introduce a new instrument?

In the framework of the qualitative research, I aimed to collect interviews till that it doesn't include new information anymore but minimum 5 interviews at least. The research framework was given by Zalaegerszeg Local Government database from which I choose the financial experts with the following characteristics (filtration):

- Minimum 3 years experience in business promotion or in financial field
- Independent operation from intermediaries and banks
- Located in Zala County

(Eden&Huxham,1996, pp. 75.-86.)

After the filtration, I chose 30 experts and sent invitations to these advisers. From the potential answers, I planned to make the interviews with the first feedback giving experts. The planned timeframe was 1 month, from 1 March, 2021 – 31 March, 2021. The planned location of research was the meeting room of the Mayor's Office of Zalaegerszeg. The fees of the research were financed by me. During the interviews, I use sound recorder, added with handwritten notes and after the interviews, I made the official transcript of the conversation.

6. Results

The invitations were sent from 15th February, 2021 via emails. After the emails, most of the contacts were asked on phone also. As the invitation process was successful the research proceeded as planned which means from 1 March, 2021 – 31 March, 2021 I made semi structured interview with the first 10 feedback giving expert. I had 12 positive answers for the interview invitation overall but as I mentioned I planned to collect interviews till that it doesn't include new information anymore which situation came at the 10th interview, so due to strategic reasons I didn't continue this part of the research after it. The location of the research was the meeting room of the Mayor's Office of Zalaegerszeg and only I was present as a researcher. In the field of qualitative interviews, I conducted interviews with the same structure with the experts. Among the interviewees, there are experts from several fields: financial advisor, microcredit expert, project manager, investment advisor as well as financial analyst. As explained earlier, we worked with semi-structured interviews that had the same basic questions, but the interviewees were able to answer according to their own responsibilities and jobs. The interview questions were not received by experts before the interview, the questions were only known during the interview. The main elements of the interviews are summarized in Table 2 (in terms of the job of the interviewees and the date of the interview). The timeframe of each interview was different, but was typically between 30 and 60 minutes. I interviewed only one expert at a time. During the interview, I asked the questions in order, after which I recorded the interviewee's answers in writing and sound recorder for each question. Due to the time factor, handwritten materials were created from which I made a transcript. After the personal interviews, an informal group interview was also conducted, which had the great advantage that the interviewees were able to help each other pass on information as well as get to know the area. This time, they were able to nuance previous interview responses, possibly providing additional information. Due to the time factor, we could not go into full detail this time.

Table 2. Interviews with financial experts of Zala County

Number	Job description	Date
1	Financial expert	1 st of March, 2021
2	Project manager	5 th of March, 2021
3	Venture capital investor	6 th of March, 2021
4	Investment advisor	14 th of March, 2021
5	Financial expert	16 th of March, 2021
6	Microcredit expert	18 th of March, 2021
7	Microcredit expert	19 th of March, 2021
8	Financial analyst	20 th of March, 2021
9	Financial expert	30 th of March, 2021
10	Project manager	31 st of March, 2021

[Source: own editing]

By the re-reading of the interviews several times, as well as by reviewing the existing literature and local studies, I identified the main financial situation of the county in the energy efficiency field as well as the role of a new potential microfinance product. In addition to review and interviews, we can say that we have obtained a very detailed and complex picture of the energy efficiency supports of the county.

7. Zala County SMEs in the mirror of energy efficiency

As it was visible in the first part of the literature review, there is a strong lack of green programs on the market. As we mentioned till 2017 the only notable program was the so called Warm of House program which wasn't even for SMEs but for general public or local residents and house societies and after the 2017 the only SME related program was the 0% percent SME energy loan which had several problems. The allocation was successful but as it didn't include interest rate, or registration fee, the allocation had no income for the system maintenance so it automatically meant the program will be closed in a given period, which was about 1 and a half year. The other problem was that the maximum amount of the loan was really high, 1 billion HUF, the total resource was 55 billion so the owner of the recourse could allocate the whole amount in 55 transactions. This allocation method automatically meant that the classic micro-SMEs was forced out of the program.

To these results the interviews were absolutely connected so in connection with the first hypothesis we had the following answers and findings during the semi-structured interviews:

- Only one program was available for Zala County SMEs in the past two decades
- This program was available for a very short time (despite that it was a “loan”, not a support)
- **Since that there are no available instruments.**

On the ground of the interviews H1 hypothesis was partly accepted which means there is a strong lack of EE support programs in the county. The other part of the hypothesis wasn't accepted as the question of that how can local SMEs give an answer for the global EE demand without support is more complex than we expected. On the basis of the interviews, we got that result in some cases local SMEs really start their own EE projects if the support is not available but in most of the cases they wait until a support become available. So it's not provable that if the support is not available, local SMEs are implementing their EE projects with own resources so only those SMEs can afford EE projects who have strong own capital. It's important to highlight this topic needs more analysis. Among the local SMEs, the motivation of the project starting is an unknown area.

It's also an interesting question that for local SMEs which is the more important, being energy efficient and environmentally friendly or sparing through EE solutions? On the ground of the qualitative research, that image was emerged the financial side is much more important for the local SMEs and being environmentally friendly is an additional advantage for them. It's important to mention, in this case the subject is the SMEs who are on the layer of the business life with lower profit so it's understandable if these enterprises prefer the potential return at such kind of investment. Of course, this question was a smaller part of the current paper so it's needed to highlight this research gap has to study in further researches in Zala County.

In comparison with the first hypothesis, at **H2 hypothesis** the overall picture was much clearer **and we could accept it easily**. Before the current paper, in the previously implemented local studies, it was visible that there is a strong demand for new microcredit products (even in the field of EE). As evidenced by the previous questionnaire surveys the 92,4% of local SMEs would apply for an EE related construction and the interviews gave an evidence for that this rate haven't changed in the past 3 years (as the survey was implemented in 2018). On the ground of the interviewees' answers, local SMEs are looking for EE financial support and microcredit continuously. These experts have concrete inquiries in every month till the last EE support (0% SME energy loan) was ended. So within the hypothesis we can rightly state that **there is a strong demand for a new EE microcredit product for classic SMEs (with lower profit) in Zala County**.

On the ground of the interviews, we got the additional information that this demand is strongly connected to the previous program's disadvantages. As we have known in the literature review, previous support were available for a given period and as it had a high limit in the potential maximum eligible loan amount; smaller SMEs were forced out from the program. These characteristics created together a strong demand for a sustainable, continuous microcredit which is available for a long period and which target group are the classic micro-SMEs.

8. Recommendations

On the ground of the interviews it was visible – as we previously mentioned – there is a lack of “green” support despite that the demand is given but on the basis of the research results, we were also able to build a complete new program which can be introduced. As we saw so far, the problem is consists of three “legs”; 1. No available support, 2. Short-term supports in the past, 3. Wrong target group. So on the basis of the common opinion of the experts, the task is to issue a continuous microcredit program for local classic SMEs in the field of EE. In connection with it the following program description was implemented. (See Table 3. below)

Table 3. ZalaGreen Microcredit

Subsidy rate	0%
Administrative cost/transaction	150 000 Ft (483,4 Euro)
Total allocation	30 000 000 Ft (96 774,2 Euro)
Maximum amount/ 1 loan transaction	5 000 000 Ft (16 129 Euro)
Target group	SMEs located in Zala County
Intermediary	Zala County Foundation for Enterprise Promotion (ZMVA) owned by ZCG
Source	from ZMVA's own capital
Timeframe	from the end of 2021
Coverage	min. 150 % of the amount of the loan
Evaluation criteria	<ul style="list-style-type: none"> - Order of arrival - Last closed business year - Business plan - Needed coverage
Expenditure	Purchasing of energy efficiency tools: <ul style="list-style-type: none"> - Wind generator - Solar cell system - Building insulation - Geothermal tools
Brief description	ZalaGreen Microloan Program aims the dissemination of energy efficient thinking between SMEs located in Zala County. In the framework of the program the local SMEs can take a special type of loan, which helps SMEs to get energy efficient/renewable energy tools and helps to run their enterprises in a green way. This program will be a pilot action in Hungary which in the case of success can be disseminated in the whole country with the help of the Hungarian Business Promotion Network (ZMVA is a part of this network).

[Source: own editing]

These conditions are not obligatory of course. The program can be started with other numbers, like the total amount of the allocation can be a lower amount at first, e.g. 50.000 Euro, but in this case the other conditions should be tailored to the new size of the resource. At a 50.000 Euro-sized allocation, the maximum applicable amount per transaction should be 10.000 Euro, which still allows 7-8 transactions at the same time (if not every applicants apply for the maximum limit). If we reduce the central resource, we have to count on that the program will be more and more experimental and there is a chance for not to reach the needed social actions.

The new program would issue by the Zala County Foundation for Enterprise Promotion (ZMVA). The foundation has a long-term experience in the field of financing, SME mentoring and management. Among the stakeholders, Mayor's Office of Zalaegerszeg and Budapest Business School have also a major role. The local government of Zalaegerszeg is an agile and a real cooperative institute with several development plans with a focus of business development so it should be introduced in the promotion of the program. Budapest Business School played an important role in the life of the city and as a business school for years and as this connection remained, the university would be responsible for the management of the mentoring. (After the successful application of the loan, SMEs have an

expanded mentoring in several fields from the foundation. Budapest Business School would be responsible for the elaboration of mentoring materials.)

The only bottleneck of the introduction is the question of own financing. As the national programs ended, in comparison with the previous times, nowadays the issue of a new program is possible from the foundation's own capital, not through a central resource (with the help of drawdown of the loan amount from the central resource). Fortunately, during the interviews it turned out that the foundation has a really strong capital so the issue is absolutely possible. The only difference at the own financing (in comparison with a central program), the question of the risk. It means that when an SME cannot pay back the loan and the transaction turns into financial loss it will be the foundation's own loss (and not the loss of the central resource). In reality at a 10 million HUF transaction, it can mean that the whole amount turns into a financial loss for the foundation (if the coverage is not right). In this case, that can easily happen when the foundation earned cca. 9-10 million HUF through the registration fee and finally they lose the whole profit in one transaction. On the ground of this bottleneck, the solution is the growing of the needed coverage. In usual cases, the average cover is around 110-120% of the whole loan amount but because of the own financing's risks, it's 150% in this case,

The other characteristics of the program are usual in microcredit instruments. It has no interest rate but registration fee ensures the needed income for the system maintenance. Target group is the local classic SMEs, maximum loan amount is the previously mentioned one. The purpose of the loan application can only be hard outcomes like the purchase of wind generator, solar cell system, building insulation and geothermal tools. The dissemination of EE thinking is also important but in the case of a loan, it's much more transparent if we work with hard outputs.

9. Conclusion

In the research the main topic was the basic condition of the energy efficiency (EE) support programs for local SMEs in Zala County. Through the literature review, the previous support programs were identified as well as the microfinance best practices. After the literature review a qualitative research was delivered among financial experts of Zala County. On the basis of the results, H1 hypothesis was partly accepted as we got that answer there are no available SME related EE programs on the market but the SME behaviour in the topic (customer demands for EE solutions) are not clear. The motivation of the starting of an EE project should be analysed in further studies in Zala County. Despite of this, H2 hypothesis was clear and could be easily accepted. There is a strong demand for a new EE microcredit among local SMEs. Furthermore, on ground of the interviews, the structure of a basic microfinance program was also possible.

The paper had several limitations. As I mentioned H1 was only partly accepted and the study of the local SMEs needs further analysis. Besides this, the whole paper concentrated only on Zala County so the study should be also implemented on regional or maybe later on national level.

All in all, - despite the limitations – we got a complex image of the potential new microfinance instrument and at the end of the research we also received a concrete adaption plan. In my opinion this plan should be introduced to local decision-makers beside that the research will continue on regional level in a short time.

References

- Armendáriz B.- Murdoch J. (2007): *The Economics of Microfinance*, Cambridge (Massachusetts) Massachusetts Institute of Technology
- Babbie E. (2008) *A társadalomtudományi kutatás gyakorlata* (6th ed.), Budapest, Balassi Kiadó
- Banász Zs. – Gerencsér H. – Kalcsú Z. – Kókai M. – Rakó (2018), I. Energy efficiency support with combined financing tools, Zalaegerszeg Zala Megyei Önkormányzat
- Banga, V. (2016): *ATM for SMEs Regional situation analysing study Tanulmány*, Zalaegerszeg, ZMVA
- Böszörményi, L. (2005): *Mikro-, kis- és középvállalkozások finanszírozási lehetőségei a Nyugat-dunántúli régióban*, Zalaegerszeg, ZMVA
- Eden, C. - Huxham, C. (1996). Action research for management research. *British Journal of Management*, 7(1), 75–86.
- Fülöp, G. - Hisrich, R. D. - Szegedi, K. (2000). Business ethics and social responsibility in transition economies. *Journal of Management Development*.
- Handa, L. (2012) *A mikrohitelzés hazai és nemzetközi szabályozása*, in: *Vállalkozásfejlesztés a XXI. században II.*, Budapest, Óbudai Egyetem, Alba Regia Egyetemi Központ, 219-230.
- Horváth D. - Mitev A. (2015) *Alternatív kvalitatív kutatási kézikönyv*, Budapest, Alinea Kiadó
- Horváth, K. – Szerb, L. (2015) *Global Entrepreneurship Monitor (GEM) – GEM 2015 Magyarország: Vállalkozások és vállalkozói ökoszisztéma helyzete 2015*, Pécs, PTE
- Illés, I.– Gyulai, L. – Lauf, L. (2013): *A vállalkozásfinanszírozás alapjai*, Budapest, Saldo
- Kókai M. – Tóth V. (2017) *Analysis of the accumulated experience and practices on local level to be transferred to the partner regions*, Zalaegerszeg, ZMVA
- Lentner, C. - Szegedi, K. - Tatay, T. (2015). Corporate social responsibility in the banking sector. *Pénzügyi Szemle/Public Finance Quarterly*, 60(1), 95-103.
- Szabó, A. (2006.): *Mikrohitelek a világban*, Budapest, Kis-és Középvállalkozások Egyesülete
- Szabó L. – Banász Zs. – Horváth Gy. – Takács T. – Illés O. (2018) *Az energiahatékonysági és megújuló energiák használatának gazdasági hozzáadott értékek keretfeltételeinek elemzése Zala Megyében*, Zalaegerszeg, Zala Megyei Önkormányzat, 2018, pp. 7.-9.
- Szegedi, K., Fülöp, G., & Bereczk, Á. (2016). Relationships between social entrepreneurship, CSR and social innovation: In theory and practice. *International Journal of Social, Behavioral, Educational, Economic, Business and Industrial Engineering*, 10(5), 1402-1407.
- Szekfü, T. (2014.): *Hungarian Microfinance in the Light of European Directives lecture*, RVA available: gtk.szie.hu/sites/default/files/files/tudomany/mtu/11/4.pdf
- Szekfü T. – Kókai M., *ZMVA Helyi Mikrohitel Program Termékleírás* (2017), Zalaegerszeg, ZMVA
- Yunus, M. (1999): *Banker to the Poor*, New York, PublicAffairs
- Vecsenyi János (2009): *Kisvállalkozások indítása és működtetése*, Perfekt Gazdasági Tanácsadó Zrt. Budapest